

30 April 2015

Our Ref WM002-090

Mr Denis Kelly
Network Development Manager
Northern Ireland Electricity Ltd
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BELFAST BT3 9JO

Dear Denis

Re: Demand Side Unit (DSU) Congestion Issues and Next Steps in the Application Process / Registration of sites as members of DSUs

We refer to your respective letters of 12th March and 1st April 2015 with regard to the above matter.

The Utility Regulator has considered the arguments and proposals put forward by the Transmission System Operators (TSOs) and the Distribution System Operators (DSOs) and the Demand Response Aggregators of Ireland (DRAI) and related interested parties in relation to the matter. We have met with all parties and discussed the issue with the Commission for Energy Regulation (CER) in the Republic of Ireland to ensure equity of treatment and consistency of approach in relation to the accommodation of Demand Side Units (DSUs) in the SEM. This letter is being circulated to SONI, NIE and the DRAI and we understand a corresponding letter is being issued by the CER to Eirgrid and ESNB.

In coming to our final position, set out below, we have sought to uphold the requirements of the Energy Efficiency Directive, by encouraging and facilitating the deployment of Demand Side Units to the benefit of consumers. We have considered the concerns raised in relation to continuing to maintain a secure and sustainable electricity supply. Our minded-to position letter of 23rd April also informed discussion at the Joint Grid Code Working Group held in Dundalk on the 27th April.

The Utility Regulator has consulted on the now active licensing regime in Northern Ireland to accommodate the deployment of DSUs without unnecessary delay. It is now important that the role of the TSO and DSO are clearly set out and a process and timeline to accommodate such deployment is defined and understood by all parties. This is set out below.

The TSOs role and responsibility:

The RAs accept that the TSOs must be cognisant of the security of the distribution system, and the DSOs instructions in this regard, when dispatching DSUs. However, the TSOs should put in place measures to ensure that a DSU is still dispatchable up to the demand response not associated with a distribution system security issue.

(2)

The DSOs role and responsibility:

The RAs do not consider it appropriate that a congestion issue that only manifests itself under certain conditions should restrict the TSOs ability to dispatch a demand response from an Independent Demand Site (IDS) under all conditions, especially when those conditions are unlikely to occur, or occur only infrequently.

The DSOs must therefore clearly identify the conditions under which a demand response from an IDS may cause a congestion issue and develop a set of instructions which can be applied by the TSO to avoid dispatching an IDS under conditions where a potential risk to system security exists.

We accept that the DSOs may have to consider the potential circumstances and associated issues and mitigation measures further. We do not however consider this sufficient grounds to prevent an IDS in Northern Ireland from registering at this time. We note that there already exists an obligation on IDS applicants to inform the DSO of the intent to register to participate within a DSU; therefore we require the DSOs to use this information to provide instructions that recommend prudent limitations in IDS dispatch to SONI. The Utility Regulator expects that any such instructions would be fully justified, published, and the potential risks to system security clearly explained.

The instruction set referred to above should be maintained with the following guiding principles:

- a. The DSO is to ensure that restrictions on dispatch that are declared on the instruction set reflect only the locations (IDS list) and circumstances (for example, time of day / year, or load thresholds at the relevant Bulk Supply Point) that are necessary for compliance with its licence obligations – including not least safety to personnel and the safe operation of its network.
- b. The absence of an instruction set should be taken by the TSOs to imply that no IDSs should be excluded in dispatch instructions to Aggregators.
- c. The granularity of the instruction set should be improved over time with reference where appropriate to standards and processes used in other jurisdictions regionally and internationally; DSOs, TSOs, and Aggregators should work together to facilitate this improvement.
- d. The first version of the instruction set should be delivered by 15th May 2015. The RAs understand that in the first instance, this set may be necessarily broad due to the deadline for delivery. Depending on the level of concern that NIE have regarding the registration of the IDS, they should indicate a timeframe for the provision of a more granular set of instructions.
- e. Point d) notwithstanding, the RAs find it difficult to accept that any IDS should be restricted from dispatch 'all year, all the time'. As an example the risk of reverse powerflows during peak load periods resulting from IDS dispatch might easily be shown to be vanishingly small without a significant analytical exercise.

(3)

- f. Point e) expresses the RAs expectation at the time of writing but of itself does not preclude the right for the DSOs to develop instruction sets that restrict the dispatch of any IDS at any time.

The Availability of the DSU as it relates to Capacity Payment revenue in the SEM will not be informed by the instruction set at this time.

The DSUs role and responsibility

DSUs must comply with instructions from the TSO, including any instructions to limit or avoid the utilisation of demand response at specific IDSs.

Yours sincerely



Jo Aston
Director, Wholesale Markets

